Development Alternatives, Inc.

**Fiscal Reform in Support of Trade Liberalization**

**Workplan**

**for Second Project Work Year**

**August 2004 to June 19, 2005**

**Original Project Workplan Approved by USAID on October 7, 2003**

**This Annual Workplan Approved by USAID on September 10, 2004**

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# Fiscal Reform in Support of Trade Liberalization

## 1. INTRODUCTION

The Fiscal Reform in Support of Trade Liberalization project ("The Project"), a Task Order under the SEGIR EP Indefinite Quantity Contract (PCE-I-00-00-00015-00), was signed by USAID on July 24, 2003, sent to DAI on August 1, 2003, and signed and returned by DAI on the same day. The Project consortium is led by Development Alternatives, Inc. (DAI), and includes partners Georgia State University (GSU), Boston Institute for Developing Economies (BIDE), and Training Resources Group, Inc. (TRG).

The overall project work plan was submitted to USAID in September 2003 and subsequently approved by USAID on October 7, 2003. This annual workplan is subordinate to the original life of project workplan in that this work will be carried out using the same funding and with the same objectives.

The original project workplan states the project objectives, which remain unchanged, and so are not repeated here.

This workplan discusses Project activities that the project team will execute during the period July 1, 2004 to June 19, 2005, the second project year. Staff matters are treated in section 3 of this workplan. Then the workplan specifically covers work in the following activity areas: outreach, website, webLibrary, applied research, a fiscal reform workshop, annual training for USAID staff, and mission field requests. The workplan also includes a schedule of critical dates and reporting, as well as a Project Gantt Chart.

Before entering into discussion of planned activities, we present a brief review of the first year of Project activities and achievements.

## 2. FIRST YEAR REVIEW

First year operations saw considerable activity for the Fiscal Reform Project Team. The team worked on five mission field request activities, including intergovernmental fiscal relations reform in India; tax and spending reform in Guatemala; revenue and trade reform modeling in Vietnam; designing a fiscal system for Sudan; and, government finance statistics and fiscal programming in Angola. Two research projects have been published: one on using benchmarks to assess tax systems and the other on intergovernmental fiscal relations and the "hard budget constraint." Other research projects are in the draft review stage and should be ready for publication in September 2004. The Project also organized two successful outreach events—one in September 2003 to introduce USAID staff and the IFIs to the Project and the other in February 2004 to showcase Project research and to discuss and debate hot issues in fiscal reform with experts from the IMF, World Bank, U.S. Treasury, IADB and USAID.

The Project's first fiscal policy training course was held at Georgia State University facilities in Atlanta, Georgia and included 17 USAID participants. The training covered overall fiscal policy, taxation, fiscal architecture, expenditure management, and fiscal decentralization. Sessions were presented by a number of GSU staff, including Roy Bahl, James Alm, Sally Wallace, Mark Rider and Jamie Boex, as well as invited specialists Sam Skogstad and A. Premchand. Aside from USAID participants, Project economist, Steve Rozner, also attended. Overall satisfaction with the training event was high, based on raw scores of evaluations. The most highly rated sessions were those on "Principles of Fiscal Policy" presented by Roy Bahl, "Fiscal Infrastructure" by Sally Wallace, and "Intergovernmental Fiscal Transfers" by Jamie Boex. The lowest rated sessions were on tax policy and expenditure management.

The Project Team helped USAID organize and implement the Economic Growth Officers' Workshop in Washington, D.C. from June 28-July 2 2004. "Promoting Economic Growth in a New Era" was the first such workshop held by USAID since EG Officers met in Leesburg in 1997. The event arose as an addition to the Project's scope of work: Initial plans to hold a two and a half-day workshop on fiscal reform evolved into this weeklong event on more than a dozen topics of importance to economic growth.

Over five days, more than 300 participants including representatives from USAID/W and overseas missions, USAID partners, the IMF, World Bank, IADB and an assortment of US Government agencies and NGOs heard and discussed presentations from leading economists and development practitioners on major development challenges from failed states, corruption and fiscal reform to HIV/AIDS, agriculture policy, economic integration, and pro-poor growth. Among notable presentations, Carol Peasley, USAID's Chief Counselor, outlined USAID's priorities in the economic growth realm; Ambassador Randall Tobias, the U.S. Government's Global AIDS Coordinator, addressed the devastating effects of HIV/AIDS on growth; renowned agricultural economist John Mellor presented findings on the links between rural investments, growth and poverty reduction; and trade specialists Richard Newfarmer, Kishore Rao, and Steve Parker made presentations on managing the risks of trade liberalization. From the Fiscal Reform Project, Mark Gallagher presented on lessons learned from designing and implementing successful tax reform programs and moderated the session on approaches to fiscal decentralization. The workshop treated other fiscal issues in two other sessions, including transparency and revenue management by oil exporting countries and social impact on the poor of fiscal crises. Workshop evaluations were positive and the project team and USAID/EGAT drew up a series of lessons learned regarding how to put on a successful workshop for future such activities.

The workshop benefited from skillful coordination between the Fiscal Reform Project and staff from USAID's EGAT Bureau. Molly McKnight and Steve Rozner led the planning and organization of the event, with tremendous support from DAI staff Susan Powers, Isabel Spake, Courtney Fede, Bethany Bluett, Kaitlin Shilling, Elizabeth Holt, Maya Parada, and Tim Podkul. From TRG, Kathy Alison served as facilitator for all of the plenary sessions. And DAI's Cynthia Canelas and Erika Dougherty worked tirelessly to design and manage the Workshop website (http://www.econgrowth2004.net), which features presentations, background literature, and proceedings summaries as well as a report on workshop evaluations and a photo gallery with snapshots from the event. The website was useful because it was the main source of information for USAID officers and others as to the workshop's purpose, agenda, speakers, and, perhaps most importantly, participant registration. Indeed, from the date the website went public up to June 30, there had been over 60,000 hits on the website, averaging 702 hits per day.

In addition to the above activities, the Project's Fiscal Reform Website (http://www.fiscalreform.net/) has become a popular source of information on fiscal reform and trade liberalization, averaging over 40 hits per day and registering thousands of document downloads from its fiscal reform webLibrary. The Project Team maintains the website and continues to update information and expand the webLibrary.

During the first Project year of operations, the following individuals have worked in some capacity on the Fiscal Reform in Support of Trade Liberalization Project.

| Individual | Affiliation | Activities |
|---|---|---|
| Mark Gallagher | DAI | Chief of Party |
| Steve Rozner | DAI | Project Economist |
| Susan Powers | DAI | India and Guatemala field requests, workshop, and non-billed support |
| Art Mann | DAI | Research, Guatemala, case studies |
| Alexander Segovia | DAI | Guatemala |
| Bethany Bluett | DAI | Workshop |
| Cynthia Canerlas | DAI | Workshop |
| Erika Dougherty | DAI | Websites |
| Elizabeth Holt | DAI | Workshop |
| Galina Kurlandskaya | DAI | India |
| Joanne Kent | DAI | Websites, brochures |
| Joe Pelzman | BIDE | Research |
| Kevin Kyriss | DAI | Guatemala |
| Kaitlin Shilling | DAI | Workshop |
| Molly McKnight | DAI | Workshop |
| Richard Bird | BIDE | Outreach, workshop |
| Robert Rafuse | DAI | India, workshop, outreach |
| Richard Zuker | DAI | India |
| Sam Skogstad | DAI | Case studies, outreach, workshop |
| Tom Podkul | DAI | Workshop |
| Wayne Thirsk | DAI | Case study |
| Jorge Martinez | GSU | Outreach, research |
| Jameson Boex | GSU | Outreach, research, workshop |
| Luc Noiset | GSU | Vietnam |
| Kathy Alison | TRG | Workshop |
| Jitendra Modi | DAI | Sudan |

As of June 30, 2004, 46% of programmed Project work had been performed, while 30% of contract ceiling had been expended.

## 3. PROJECT STAFFING

The COP for the Fiscal Reform in Support of Trade Liberalization is Mark Gallagher, who is supported by Project Economist, Steve Rozner. Mark Gallagher has been working approximately two-thirds time on the Project, while Steve Rozner has worked essentially full time on the Project. In January 2005, both Gallagher and Rozner will leave the Project to take up resident posts on another USAID-funded project in Bosnia. An immediate challenge facing the Project team will be to find replacements for these two key personnel.[1]

Technical and managerial work referred to in this workplan that is being carried out now or that will be initiated before January 2005 by either Gallagher or Rozner and that may continue after their departure from the project is assigned to COP and Economist, respectively, in the sections of the workplan where responsibilities are assigned.

Senior technical expertise will be continued to be provided by a Panel of Experts, including Richard Bird, Roy Bahl, and Jorge Martinez. The Team proposes to remove Joseph Pelzman from the board of advisors and include Art Mann and Mark Gallagher (from January 2005) on the new board. In addition, in order to provide the broadest possible base of expertise, the Project will continue to draw upon the expertise of a number of fiscal reform experts whenever practical or necessary.

## 4. OUTREACH

### 4.1. Outreach to USAID staff

The Project Staff will continue to refine its internal USAID contacts with CTO and Activity Manager input, both for one-off announcements as well as to receive periodic or occasional messages. Among other things:

1. We will prepare a new project information packet for distribution to USAID officers around the world and this will be distributed by the USAID Activity Manager by email.

[1] Gallagher and Rozner will be available to EGAT and to the new Project Team for consultative purposes and to participate in future events, as may be required.

2. We will hold an outreach session at USAID/W to present the various field requests that have been implemented, or are in implementation, under the Fiscal Reform in Support of Trade Liberalization Project.

This event is planned for a half day in December and will be held at USAID.

*Responsible:*

*Project Economist will prepare the new information packet, with considerable input from USAID/EGAT/EG.*

*Gallagher and Rozner will be responsible for organizing the USAID outreach event. The Activity Manager will be responsible for coordinating the use of USAID/W facilities for this purpose. Specific individuals will be requested to present the field requests that they have been working on.*

### 4.2. Outreach to other donors and international organizations

Two events are planned for the coming year. These are:

1. An outreach session to discuss two research projects that have been concluded during the first project year, namely: Art Mann's evaluation of semi-autonomous revenue authorities and Mark Gallagher's work on assessing tax systems using a benchmarking methodology. The project team will present the results of these two research projects to counterparts from the wider community of practice, such as IMF, World Bank, US Treasury, and USAID.

   This event is planned for a morning in December 2004 and will be held off-site.

2. An outreach session to discuss the anticorruption and fiscal reform research conducted by Jorge Martinez and Jamie Boex. Invitees will be from USAID and other organizations.

   This event is planned for a morning in February 2004 and will be held off-site.

*Responsible*: *Economist and Susan Powers will be responsible for organizing these events, and Messrs Martinez, Boex, Gallagher, and Mann will make presentations.*

## 5. FISCAL WEBSITE

The fiscal reform website (http://www.fiscalreform.net/) has been up and running almost since Project inception. As reported above, the website has been used by thousands of unique users, and many of them return regularly to the site.

To ensure that the website is of maximum utility to users, the Project team will develop a survey to be taken of users while visiting the site. We will first investigate the regulations that apply to ensure that our survey method – possible popup – complies with any federal regulations. The Fiscal Reform Team will coordinate closely with Mr. Chuck Patalive and IRM.

<u>This survey should be active from November 2004 through January 2005.</u>

*Responsible:*

*The Economist will manage the website content and DAI staff members Ms. J. Kent and Ms. E. Dougherty will provide technical service.*

*Gallagher and Rozner will design the website survey in close coordination with EGAT. Joanne Kent and Erika Dougherty will provide assistance in designing the instrument and developing its technical aspects.*

## 6. WEBLIBRARY

An important part of the fiscal website is the library page that we refer to as the webLibrary. This webLibrary has made available to USAID Officers and others in the community of practice the most up-to-date materials in the areas of fiscal reform and trade liberalization. This includes reports and PowerPoint presentations, and other materials as may be appropriate.

Our website monitoring tool indicates that the webLibrary has been accessed thousands of times over the past months. We intend to continuously update the webLibrary, making it of ever greater relevance for users.

One of the first activities related to the webLibrary during the second project year will be the reorganization of certain aspects of the webLibrary. The first step will be to organize listings alphabetically by author rather than by title. Other changes may include changes in categories.

*Responsible: Economist with Kent and Dougherty.*

## 7. APPLIED RESEARCH

This section discusses research activities from the first project year that have been carried over to the current project year, proposed new research projects, and continuing research-related activities that will be undertaken on a continuing basis.

### 7.1. Research carried over from first year

The Project will undertake three to five research activities in each of its operating years. For the first year, four topics were selected in October 2003, and later an additional research paper was added to the agenda. Of the first year research topics, only that on Benchmarking Tax Systems had been completed before the start of this second project year. The research projects from the first project year that were still in preparation during the second year are discussed here:

### 7.1.1. Selected success stories of USAID TA in fiscal reform.

The Project is preparing material for a webpage on the Fiscal Reform Website, providing a history of fiscal reform-related technical assistance funded by USAID over the past few decades. This webpage will be similar in style to that found on the IMF's website.

The purpose of this page is to provide useful information on assistance approaches that have been effective, in the hope that they might be adapted to similar needs in other jurisdictions. Thus, the target audience includes USAID officers, host country fiscal officers, other donors and anyone interested in what has been learned through fiscal management assistance projects in various parts of the world. If the site accomplishes its purpose, anyone contemplating fiscal reform in an emerging economy might find, in the project assistance reviewed here, experiences that will be helpful and instructive.

The webpage draws heavily from the eight case studies in fiscal reform that have been prepared under the Project. These are:

1. Bosnia-Herzegovina (treasury and payment bureaus)
2. Egypt (comprehensive tax reform)
3. El Salvador (comprehensive tax reform)
4. Guatemala (tax administration reform)
5. Jamaica (comprehensive tax reform)
6. Kosovo (comprehensive fiscal reform: tax and expenditure)
7. Tanzania (establishing the tax policy analysis department)
8. Ukraine (intergovernmental fiscal relations)

There is a variety of purposes to this webpage. It will demonstrate the vast experience over many years of the assistance that USAID and UST have been providing to emerging market countries, while also providing well-illustrated examples of the type of assistance that can be made to host countries around the world. The website will also raise the awareness among USAID staff and others within our community of practice as to the important role that USAID has played in this sector over a long period.

This webpage was completed on September 9, 2004. The webpage includes downloadable links for the eight case studies.

*Responsible: Dr. Sam Skogstad has been leading this effort. Individual case studies have been prepared by Skogstad, Wayne Thirsk, Gallagher, and Mann.*

### 7.1.2. A report card on semi-autonomous revenue authorities (SARAs).

This research project describes and analyzes the experiences of several developing countries that have adopted the growing trend toward establishing semi-autonomous revenue authorities (SARAs) to administer tax collections. By removing the basic tax administration functions from the traditional line departments in the ministry of finance and granting the SARA a greater degree of autonomy to administer its own internal systems, the expectation has been that real revenue collections will be enhanced, tax-related corruption and evasion will be reduced, and taxpayer services will be improved. After carrying out an in-depth analysis of five SARA cases and taking into account the results of studies done by others, this paper concludes that SARAs have neither lived up to expectations nor can they be categorized as having failed. Tax administration efficiencies and collections have risen initially but later declined, and SARAs have not proven to be sustained panaceas. They do provide a platform from which tax administration efficiencies can be generated, but their mere establishment offers no guarantee of success.

<u>This report was completed, posted on the website and submitted to USAID in August 2004.</u>

### 7.1.3. Corruption and fiscal reform.

This study seeks to pull together the current state of knowledge and contribute to our understanding on how fiscal policies and management interact with corruption issues. Some of the issues to be addressed in this study include the forms of corruption that arise from poor fiscal policy, measurement issues, and ways that improved fiscal management can reduce corruption.

<u>The draft report was submitted for review in June 2004, comments have been provided, and the final report is expected to be completed by end-September 2004.</u>

*Responsible: Jorge Martinez, Jamie Boex, Javier Francisco Arze.*

### 7.1.4. Fiscal implications of trade liberalization.

This includes, *inter alia*: the ease or difficulty of substituting domestic taxation for taxation on trade, especially import duties; introducing duty drawbacks and removing export subsidies; the impact of duty reductions on VAT collections; and, the impacts on industries and competitiveness from the revised tax system. This project may also include investigation into the fiscal impacts of establishing Export Processing Zones.

<u>It is anticipated that this research project can be completed and posted to the Fiscal Reform website by the end of September 2004.</u>

*Responsible: This research project is being conducted by BIDE’s Joseph Pelzman. .*

### 7.2. Proposed New Research Projects

The new research projects listed below all have preliminary approval with acceptance of this workplan. In each instance, the lead researcher will be requested to provide a research proposal with workplan, timeframe and resource requirements. Each researcher will be required to ensure that each of these projects will seek to produce conclusions, recommendations, guidelines, and other results that will be specifically useful to USAID officers and partners.

In Year 2, the Project proposes the following *suggested* areas of research, which we will develop and/or modify as necessary through discussions with the CTO and Activity Manager:

#### 7.2.1. A New Look at VAT.

The rapid rise of the value-added tax (VAT) was one of the most important tax developments of the latter part of the twentieth century; in the past two decades it has also become a critical component of the tax systems of many developing and transition economies. While the VAT is seen as a powerful instrument for improving revenue performance, practical experience in developing countries has been mixed. Among other problems, exemptions, multiple rates, and poor administration of the credit system cause cascading, pushing the brunt of the tax burden on to the final user and encouraging tax evasion. These and other deficiencies raise questions about the efficiency as well as the distributional impact of the VAT in a developing or transition context. This study will examine VAT performance in developing and transition countries and explore the debates over the common challenges that emerge with the introduction or reform of a VAT (e.g., (re)defining the tax base, simplifying the rate structure, restructuring tax administration, treatment of exports, dealing with the VAT's regressivity and federal versus local claims on VAT proceeds, etc.).

<u>This report will be completed by April 2005; a preliminary presentation of its findings will be presented at the Project's annual workshop.</u>

*Responsible: Richard Bird will lead this research project. He will submit a work plan and resource requirements to the COP.*

#### 7.2.2. Poverty and Fiscal Reform.

Fiscal policy is one of the key vehicles by which public actions can have on impact on poverty. Sound fiscal policy can accelerate economic growth and, other things being equal, higher growth will translate into faster poverty reduction. Fiscal policy is also one of the main policy instruments for influencing distribution; it can affect not only the patterns of public spending and revenue-raising, but also the distributional pattern of growth (e.g., improving access to education, health, micro-credit, etc.). Some experts argue that poverty reduction should be addressed through expenditure programs rather than through tax reforms, but little research exists on the real poverty impact of different expenditure programs. This research will look into the links between fiscal reform and poverty reduction, with particular emphasis on assessing the poverty impact of various expenditure programs. This might encompass an expenditure incidence study of individual countries, or if warranted a cross-country analysis to draw general lessons on benefit incidence.

<u>This report will be completed by April 2005; a preliminary presentation of its findings will be presented at the Project's annual workshop.</u>

*Responsible: Jorge Martinez will prepare a proposal.*

#### 7.2.3. Tax Treatment of SMEs.

In many countries in the developing world as well as those countries in transition, there has been a mutually negative discord between the tax system and small and medium enterprises. Often the tax system, both its policies and its administrative requirements, have discouraged SMEs from full tax compliance and participation in the formal sector, leading to lack of services, stability and clear property rights and access to credit, which has hampered what could be one of the most economically dynamic sectors of these economies. In addition to the government financing needs for its recurrent budget, the tax administrations usually also collect payroll taxes that directly fund public programs of social security, disability, pensions and the like. These "social fund contributions" in many countries are, nominally, extremely burdensome. In former socialist countries they can be considered confiscatory.

On the other hand, SMEs that remain outside the formal sector generally remain outside of the tax base, too, leading to lower revenues for the treasury, or the requirement to fund these tax shortfalls by imposing even higher taxes on those taxpayers already captured in the tax net.

Employees of firms operating outside of the formal sector, or firms that are in the formal sector but grossly under declaring revenues and wages, will wind up with woefully inadequate rights to pension coverage and other social benefits.

Both of these results are harmful to private sector led economic development strategies, harm macroeconomic stability, breed corruption, and weaken the rule of law.

This research project will address how these issues have been dealt with around the world, draw lessons for best or most applicable practices, and make recommendations regarding how best such practices might be implemented in USAID host countries.

An early part of this research will be a survey of the literature on these topics.

<u>This report will be completed by April 2005; a preliminary presentation of its findings will be presented at the Project's annual workshop.</u>

*Responsible: Art Mann will lead this research project. He will submit a work plan and resource requirements to the COP. The literature survey will be conducted by the Project Economist.*

## 7.3. Fiscal Sector Indicators

This work is an extension of the Fiscal Reform Project's research agenda, but will mainly be focused on the collection and dissemination of a set of indicators of fiscal sector structure, performance, resources, and systems.

Two related sets of activities will form the basis of the fiscal sector indicators work: those on tax systems and those on public expenditure management (PEM). These are discussed below.

### 7.3.1. Broadening Coverage of Tax System Benchmarks.

This research effort will expand the coverage of the indicators and benchmarks outlined in the benchmarking report produced in Year 1 to include additional country coverage, as well as expanded time series coverage.

The methodologies for calculating the indicators are found in the Gallagher (2004) report, as are some of the data sources. These data sources are usually not published documents or they may not be from documents that are available to the public. Therefore, a variety of means must be applied to gather these data.

In the first instance, the Economist should seek out publicly available information from websites and IMF, USAID, InterAmerican Development Bank and Asian Development Bank published documentation. Information can also be gleaned from host country budgetary sources and other such information. Article IV Consultations and Recent Economic Development reports of the IMF may contain relevant data and can be obtained through USAID sources.

Other data, such as national accounts information, trade statistics and population figures can be gotten from World Bank websites as well as from host country sites. Many central banks and ministries of finance around the world publish English language websites, which often include considerable statistical information that could be useful to this endeavor.

Beyond these sources, the Economist will likely need to contact experts working on tax issues in these countries to request some assistance in assembling indicator tables. Such sources might include USAID economic growth officers – ideal persons might include Paul Davis in Colombia or Bill Foerderer in Serbia, IMF country economists and Fiscal Affairs Department researchers or technical advisors, and USAID tax modernization Chiefs of Party.

The Fiscal Reform Project will create a new web page dedicated to tax system benchmarks, where these tables will be posted.

<u>Work will start on this in August 2004.</u>

*Responsible: The Project Economist will undertake this effort, with supervision from the COP.*

### 7.3.2. Indicators of Public Expenditure Management (PEM)

Public expenditure management (PEM) covers all aspects of government planning, appropriating and executing the government budget. This includes all the processes for budget preparation, expenditure control, treasury functions, and accounting and reporting.

Poor PEM has led to misallocation of public resources, macroeconomic instability, large fiscal deficits, lack of transparency and accountability, and corruption, fraud and abuse. The mechanisms, legislative frameworks and institutional capabilities to execute properly public expenditure management are key to avoiding these maladies.

Both the World Bank and the Asian Development Bank have produced "PEM handbooks". These include guidelines to good PEM systems. The Asian Development book includes a checklist for PEM. Both handbooks include some country examples of PEM systems, but only partial and without empirical basis.

This activity will require a culling of the Asian Development Bank checklist and reviewing these against those indicated in the World Bank's handbook, as well as comparison to other literature and experiences. A priority listing of indicators will be selected, by the COP, and then the Project Economist will set out to collect this information. Such information will be gleaned from various reports, such as Country Accounting Frameworks, PEMS reports, Public Expenditure Reviews conducted by the World Bank, and USAID project (especially on Integrated Financial Management System projects) documentation.

In addition, interviews will be conducted by email with experts working on such activities in the IFIs and on projects.

The Fiscal Reform Project will create a new web page dedicated to PEM benchmarks, where these tables will be posted.

<u>Work will start on this in August 2004.</u>

*Responsible: The Project Economist will undertake this effort, with supervision from the COP.*

## 8. ANNUAL WORKSHOP

The Project Team will work closely with the CTO and Activity Manager to develop the most appropriate, USAID-specific agenda of fiscal reform and trade liberalization concerns. Given the modification of the Project Scope of Work to organize and execute the larger Economic Growth Workshop in June/July 2004, we did not hold an exclusive Fiscal Reform Workshop during the first project year. We are tentatively planning for the second year's Annual Workshop to be held for two full days in 2005, with registration taking place the evening before sessions, and a final wrap-up session and plenary event to be held on the third morning. Steps for planning and organizing the workshop include:

a. Defining a tentative agenda.

b. Using the tentative agenda, Gallagher and Dod (Activity Manager) will prepare a "survey" for Economic Growth and Democracy and Governance staff of USAID to determine the potential demand for attending the workshop and to seek comments on the tentative agenda and suggestions for other topics.

c. Deciding on the workshop location, planning for site, timing, number of participants, speakers, recording of event, and other requirements.

d. Establishing methods for facilitation, i.e., how the workshop will be put on and how to maximize input dialogue, learning and participation.

e. Making all arrangements for contracting, invitations, coordination of flights, and all other logistic requirements.

f. Holding event and providing facilitation for all sessions.

g. Preparing edited workshop papers and presentations for publication and distribution.

h. Reporting on lessons learned from the event for improving organization of future events.

<u>This activity should be completed by July 2005.</u>

*Responsible: COP, Project Economist, Panel of Experts. Planning and facilitation will be assisted by Kathleen Alison of TRG, who will participate from early on in the planning process. Ms. Susan Powers of DAI will assist in implementing the event, sending invitations, and providing other support.*

## 9. ANNUAL TRAINING COURSE

If demand is sufficient, the Project will sponsor a second training course in fiscal policy in April 2005. Training will be provided at GSU's campus in Atlanta, Georgia unless there is greater demand for holding the course in or close to Washington, DC. The program will be developed from materials and themes used in GSU's annual fiscal policy summer training programs and will be modified to accommodate a training format suited to USAID's specific needs. The length of the training will depend on the range of topics to be covered, but a five-day format was generally well received by participants in the first annual training course held in Atlanta in April 2004.

a. Review the ratings sheets from the April 2004 training and determine whether greater emphasis on specific topics is needed.
b. Determine who our audience might be. This might be accomplished through an e-mail survey sent to EG Officers, DG Officers, regional bureaus, and others to gauge interest and to identify operating units and missions with fiscal programs that might benefit from the training.
c. Develop and submit a revised syllabus and outline for the course for USAID review and approval.
d. Extend course invitations and select course participants.
e. Implement the training.
f. Review evaluations and submit the results to USAID.

<u>This activity should be completed by May 2005.</u>

*Responsible: Primary responsibility for determination of course requirements and demand lies with the COP and the Activity Manager. GSU will be responsible for full course development or adaptation and for holding the trainings at the GSU/Atlanta facilities.*

## 10. PROVIDE IN-HOUSE EXPERTISE TO USAID AND FIELD REQUESTS

### 10.1. General in-house expertise

The Fiscal Reform Project is available to USAID for on-the-spot technical expertise, comment, and other types of immediate, in-house type assistance. Such assistance may be merely to review USAID draft documents, advise on technical aspects of activities that USAID is preparing or carrying out, providing input on USAID publications, and other such assistance. This assistance may be provided by the COP, Project Economist, Board of Experts, or Fiscal Reform Project consultants.

One example where in-house expertise may be provided by the Fiscal Reform Project is a possible technical input to the planned "Local Governance Workshop" that is being planned by EGAT and the Asia & Near East Bureau (ANE) for early 2005. Specifically, the Project has discussed with ANE organizers the possibility of having a "fiscal decentralization day", at which Project experts would present to participants on key themes and principles from a recent study GSU published on fiscal decentralization.

Other examples where the Fiscal Reform Project has provided in-house expertise include development of the Guatemala workplan, the Angola workplan, and input to the Sudan workplan. Each of these also resulted in larger field requests to help implement these workplans.

### 10.2. Field requests

During the first project year, the Project has initiated five field request actitivies, of which only one, Sudan, has been completed. These are discussed below.

#### 10.2.1. India

In **India**, the Project Team conducted preliminary consultation visits; prepared literature reviews and a report on intergovernmental fiscal management and the "hard budget constraint"; organized and managed a roundtable conference on subnational fiscal reform with invited experts in intergovernmental fiscal relations from Brazil, Argentina, Russia, Canada, and Australia; and organized and completed an exchange trip with stops in Russia (Moscow, St. Petersburg), Canada (Ottawa, Vancouver, Victoria), and the United States (Washington, D.C.) for five staff of the Indian Ministry of Finance, Department of Expenditure.

In year 2, the Project Team will:

1. Work with the India mission and counterparts from the Indian Ministry of Finance to create a focused agenda for a second exchange trip, and then plan and carry out the second exchange trip for designated MOF staff. The second trip has been tentatively scheduled for October or November 2004, pending confirmation from the MOF and USAID India. Once dates are confirmed and countries selected, the Activity Team will proceed swiftly with planning.

2. Support MOF counterparts in preparing a policy options paper for improving India's system of intergovernmental fiscal relations. This technical assistance is tentatively scheduled for January or February 2005.

3. Organize and participate in a second roundtable conference on subnational fiscal reform with participation by international experts in this field. This event is tentatively scheduled for January or February 2005, depending on the timing of the options paper work.

*Responsible: COP and Project Economist will continue to supervise this activity, with administrative and logistic support from DAI's Susan Powers. Mark Rider will accompany the second exchange trip as a technical advisor and, with Roy Bahl, will provide technical assistance in preparing the policy options paper and technical guidance for the second roundtable conference.*

#### 10.2.2. Guatemala

In **Guatemala**, from March to June 2004 the Project Team completed a benchmarking assessment of the tax system during two waves of visiting consultants. Mr. Rolando Escobar, who is the principal of a prestigious Guatemalan law firm, prepared a report on the legal and constitutional impediments to tax application in Guatemala. A third report, on public spending in Guatemala, has been drafted and reviewed and will be completed and submitted to the Guatemala mission in early September 2004. During the first week of October 2004, the Project will organize and hold roundtable sessions with counterparts in the Government of Guatemala and with a wide swathe of Guatemalan civil society. The purpose of these studies and the roundtables is to help relaunch the "fiscal pact" that was developed as a means for ensuring many of the terms of agreement in the country's Peace Accords. The fiscal pact includes targets for revenue mobilization, social spending, and macro-fiscal balances.

<u>All activities under this field request are expected to be completed by end of December 2004.</u>

*Responsible: COP, with support from Mann, continues to supervise this activity, with administrative and logistic support from DAI's Susan Powers. Alex Segovia, who resides in Guatemala, provides ongoing support on the ground.*

#### 10.2.3. Vietnam

In **Vietnam**, the Fiscal Reform Project is helping to build capacity within the Government of Vietnam (GOVN) to perform fiscal analysis, particularly with respect to evaluating the impact on government revenues of tariff reforms. Georgia State University's Luc Noiset traveled to Hanoi in early July 2004 to clarify and define the GOVN's needs and assist with staffing of a new fiscal analysis unit, Over the next few months, Noiset will work closely with the STAR Vietnam Project to select and recruit qualified local economists, conduct training in fiscal policy and fiscal analysis, and provide other assistance to support the organizational development of the new unit.

<u>All activities under this field request are expected to be completed by April 2005.</u>

*Responsible: Luc Noiset is the technical advisor to the GOVN counterparts, and will work closely with Steve Parker, COP of the STAR Vietnam Project, in coordinating efforts.*

#### 10.2.4. Sudan

In **Sudan**, the Fiscal Reform Project responded to an April 2004 request from the USAID Sudan field office in Nairobi to dispatch a public finance economist to assist in designing a new fiscal system for the recently formed Government of Southern Sudan

(GOSS). The Project's consultant, Dr. Jitendra Modi, traveled to Kenya and Sudan from end of May to end of June to carry out this work. He met with USAID staff, other donors, members of the South Sudan nascent government apparatus, especially the Financial and Economic Secretariat, which is the main counterpart in this area. Dr. Modi prepared an initial draft paper, which the Fiscal Reform Project COP commented on, which was then delivered to USAID for comment.

<u>The final version of the consultant report was delivered to USAID in August 2004.</u>

*Responsible: Dr. Jitendra Modi, with supervision from COP, Mark Gallagher.*

#### 10.2.5. Angola

In **Angola**, the Fiscal Reform Project is helping the Ministry of Finance with the design of a new fiscal planning and monitoring unit, and with the recruitment and training of staff for the new unit. Once established, the new unit will centralize monitoring and reporting of tax and non-tax revenues, the use of those revenues, deficits and their financing in one office—enhancing the GRA's ability to impose fiscal discipline and produce cohesive, comprehensive, and timely fiscal data. Our expertise will also include training the new staff, which is likely to be done in close collaboration with the Catholic University of Angola.

<u>All activity under this field request is expected to conclude by June 2005.</u>

Responsible: Dr. Stephen Kyle will be the main technical advisor.

Three to five new field requests are expected for year 2, based on year 1 experience.

## 11. CRITICAL DATES AND QUARTERLY REPORTS

Within 15 days after the end of each quarter, DAI will submit a report to the CTO and Activity Manager at USAID, which will describe the progress made and major developments during the quarter regarding the activities described above.

The following table presents the sequential time links for all first year activities. The "critical" dates are presented in **BOLD** and marked **X**.

| | | |
|---|---|---|
| Fiscal Reform in Support of Trade Liberalization | | |
| Important dates: does not report on completed actions | | |
| *Outreach* | 8/11/03 | 6/20/05 |
| Distribute materials | 10/13/03 | 1/2/04 |
| Meetings in WDC | 8/11/03 | 1/22/04 |
| Hold brownbag with guests from: IMF, WB, IBRD, USTR, UST | 9/2/03 | 9/2/03 |
| Time-to-time contacts w/ others | 8/12/03 | 6/20/05 |
| **Brownbag for WDC IFIs** | **12/4/03** | **12/4/03** |
| Maintain/update contacts | 8/12/03 | 6/20/05 |
| **Outreach: benchmarking and SARAs** | **12/13/04** | **12/13/04** |
| **Outreach: Anticorruption and fiscal reform** | **2/14/05** | **2/14/05** |
| | | |
| *Fiscal Website* | 8/5/03 | 6/14/05 |
| Survey users | 11/1/04 | 2/7/05 |
| Revise website to account for user's preferences | 3/8/05 | 3/8/05 |
| | | |
| *Applied Research Agenda Year II* | *8/2/04* | *4/29/05* |
| Assembly draft agenda for discussion | 8/2/04 | 8/6/04 |
| Discussions with USAID and decisions on topics | 8/9/04 | 8/13/04 |
| Review research project proposals | 8/16/04 | 9/3/04 |
| Approve research project approvals | 9/6/04 | 9/17/04 |
| Implement research project proposals | 9/20/04 | 3/4/05 |
| **Post research papers to website** | **3/7/05** | **4/29/05** |
| | | |
| *Fiscal Indicators Research and posting* | 8/21/03 | 6/17/05 |
| Tax system benchmarks | 9/13/04 | 6/17/05 |
| **define key tax system benchmarks** | **9/13/04** | **10/20/04** |
| **define specific workplan for taxes** | **10/21/04** | **11/8/04** |
| undertake data collection | 6/17/05 | 6/17/05 |
| review data tables and check quality | 11/9/04 | 11/9/04 |
| **post tables to website** | **11/9/04** | **11/9/04** |
| tax system benchmarks postings | 11/9/04 | 6/13/05 |
| Public Expenditure Management Benchmarks | 8/21/03 | 6/16/05 |
| **define key PEM benchmarks** | **1/10/05** | **2/4/05** |
| **define specific workplan for PEM** | **2/7/05** | **2/18/05** |
| undertake data collection | 2/21/05 | 3/18/05 |
| review data tables and check quality | 3/21/05 | 4/15/05 |
| **post tables to website** | **4/18/05** | **4/18/05** |
| PEM benchmark postings | 8/21/03 | 6/16/05 |
| | | |
| *Second workshop, only on fiscal reform* | 11/23/04 | 8/9/05 |
| **Define possible agenda** | **11/23/04** | **11/29/04** |
| Define number of participants | 1/10/05 | 2/4/05 |
| **Decide on venue** | **2/7/05** | **3/4/05** |
| Establish methodologies for conference | 3/7/05 | 4/1/05 |
| Query USAID staff on interest in participation | 2/7/05 | 4/1/05 |
| Develop full workshop implementation plan | 11/30/04 | 12/6/04 |
| **Contract for venue** | **3/15/05** | **4/11/05** |

| | | |
|---|---|---|
| Contact invited guests | 4/12/05 | 6/6/05 |
| Arrange for any consultant participations | 4/12/05 | 5/9/05 |
| Arrange all other logistics | 4/12/05 | 7/4/05 |
| Work with consultants, guest speakers, USAID | 4/12/05 | 6/6/05 |
| Prepare workshop materials | 4/12/05 | 6/6/05 |
| **Hold workshops** | **7/11/05** | **7/12/05** |
| Prepare and distribute post workshop materials | 7/13/05 | 8/9/05 |
| Report on workshop | 7/13/05 | 8/9/05 |
| | | |
| *Second Annual Training in Fiscal/Trade Reform* | 11/22/04 | 5/9/05 |
| Module menu | 11/22/04 | 12/6/04 |
| Discussions in EGAT and others | 3/1/05 | 3/7/05 |
| **Develop single, coherent one-week course** | **3/8/05** | **3/14/05** |
| Assess demand | 3/15/05 | 3/21/05 |
| **Participant selection** | **3/22/05** | **4/18/05** |
| Logistics | 4/19/05 | 5/2/05 |
| **Hold one-week training in Atlanta** | **5/3/05** | **5/9/05** |
| | | |
| *Mission Field requests* | 9/6/03 | 5/27/05 |
| Implement India field request | 9/6/03 | 8/5/04 |
| Implement Guatemala field request | 1/12/04 | 10/11/04 |
| Implement Vietnam field request | 1/12/04 | 3/28/05 |
| Implement Sudan field request | 5/24/04 | 6/25/04 |
| Implement Angola field request | 10/4/04 | 5/27/05 |

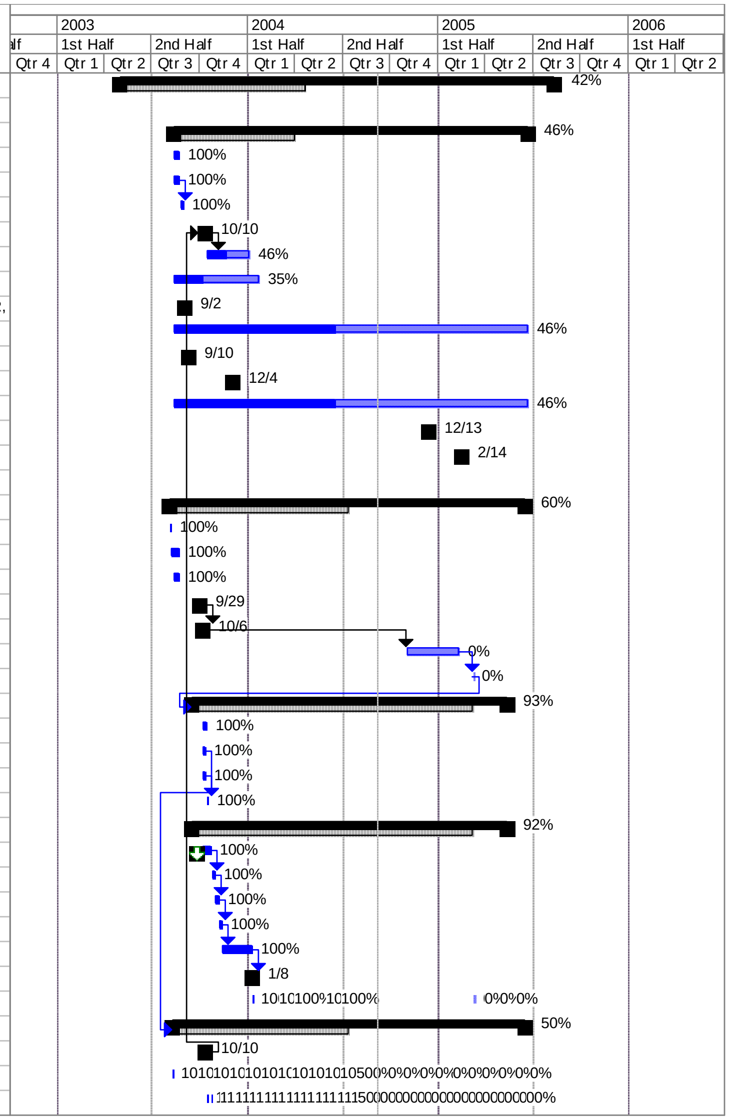
## 12. GANTT CHART

The Gantt Chart is not used as a presentation tool for USAID. Rather, it is used by DAI as a means of developing in sequential, logical and dynamic fashion the steps that must be carried out in order to complete discrete, and sometimes not discrete, tasks. Non-discrete tasks are recurrent tasks, such as reporting or maintaining contacts over time.

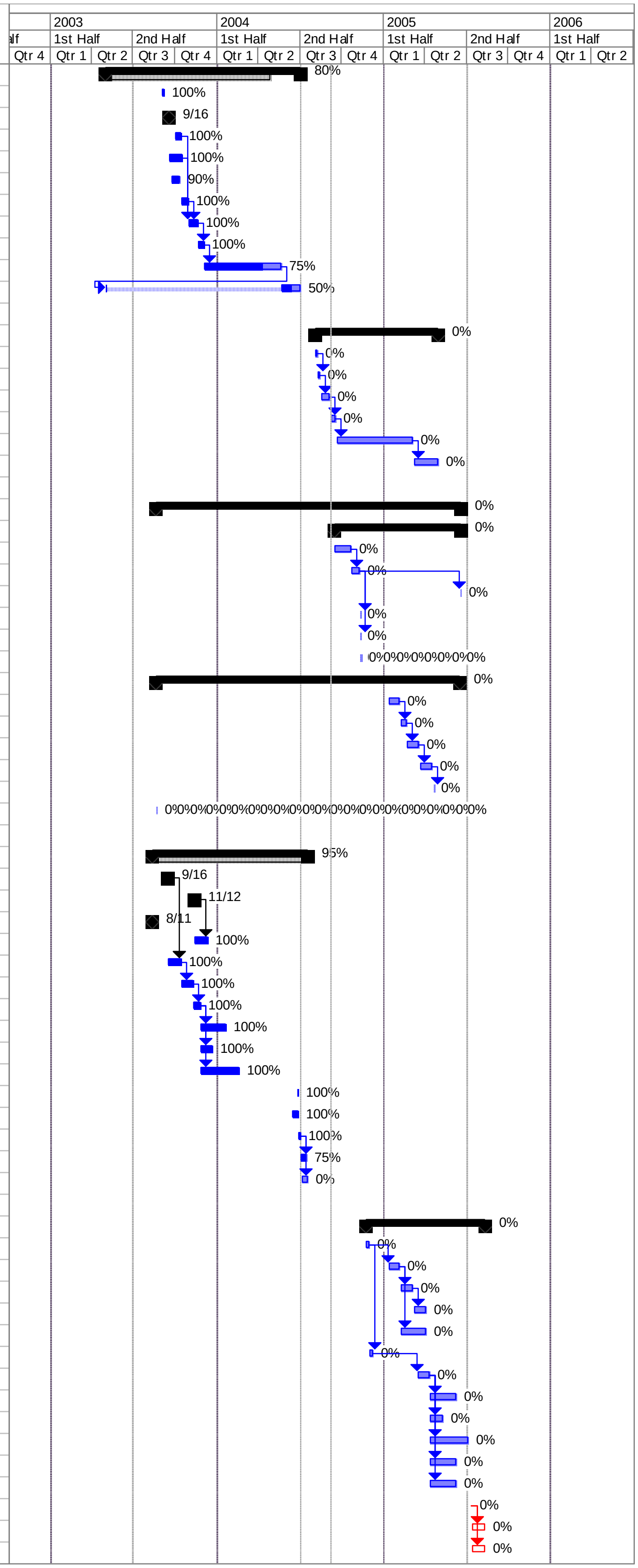
The Gantt Chart results from entering information into the MSProject database in a structured format applying certain project management rules. MSProject then produces the Gantt Chart and can produce other tools, such as a calendar that includes each day's work that is to take place under the overall project. An important output of MSProject is the monitoring chart that reports progress or lack of progress according to plan.

The present Gantt chart includes the planned activities found in the first annual workplan; it reports on progress to date on those initial activities; plus, it includes newly programmed activities.

| ID | Task Name |
|---|---|
| 1 | **Fiscal Reform in Support of Trade Liberalization** |
| 2 | |
| 3 | **Outreach** |
| 4 | Lists to send literature |
| 5 | Design Brochure |
| 6 | Letterhead and cards |
| 7 | Approve brochure |
| 8 | Distribute materials |
| 9 | Meetings in WDC |
| 10 | Hold brownbag with guests from: IMF, WB, IBRD, USTR, |
| 11 | Time-to-time contacts w/ others |
| 12 | SID brownbag on FPR |
| 13 | Brownbag for WDC IFIs |
| 14 | Maintain/update contacts |
| 15 | Outreach: benchmarking and SARAs |
| 16 | Outreach: Anticorruption and fiscal reform |
| 17 | |
| 18 | **Fiscal Website** |
| 19 | Preliminary tech. meetings |
| 20 | Outline |
| 21 | Meetings with EGAT/Webmaster |
| 22 | Approve website domain |
| 23 | Upload first mockup |
| 24 | Survey users |
| 25 | Revise website to account for user's preferences |
| 26 | **Develop specific pages** |
| 27 | Home page |
| 28 | Our Team |
| 29 | Ask us |
| 30 | Useful links |
| 31 | **webLibrary** |
| 32 | analyze options |
| 33 | seek approvals |
| 34 | confer with USAID/EGAT webmaster |
| 35 | finalize plan |
| 36 | input data |
| 37 | upload |
| 38 | **Monthly library uploads** |
| 55 | **Review by USAID and revisions** |
| 56 | Approval by USAID |
| 57 | **New info solicitations** |
| 81 | **Editing** |



| ID | Task Name |
|---|---|
| 132 | **Applied Research Agenda Year I** |
| 133 | Assembly draft agenda for discussion |
| 134 | Discussions with USAID and decisions on topics |
| 135 | Define Semi-Autonomous Revenue Authorities project |
| 136 | Define AntiCorruption project |
| 137 | Define Fiscal Implications of Trade Lib. Project |
| 138 | Define success stories |
| 139 | Review research project proposals |
| 140 | Approve research project proposals |
| 141 | Implement research projects |
| 142 | Post research papers to website |
| 143 | |
| 144 | **Applied Research Agenda Year II** |
| 145 | Assembly draft agenda for discussion |
| 146 | Discussions with USAID and decisions on topics |
| 147 | Review research project proposals |
| 148 | Approve research project approvals |
| 149 | Implement research project proposals |
| 150 | Post research papers to website |
| 151 | |
| 152 | **Fiscal Indicators Research and posting** |
| 153 | **Tax system benchmarks** |
| 154 | define key tax system benchmarks |
| 155 | define specific workplan for taxes |
| 156 | undertake data collection |
| 157 | review data tables and check quality |
| 158 | post tables to website |
| 159 | **tax system benchmarks postings** |
| 183 | **Public Expenditure Management Benchmarks** |
| 184 | define key PEM benchmarks |
| 185 | define specific workplan for PEM |
| 186 | undertake data collection |
| 187 | review data tables and check quality |
| 188 | post tables to website |
| 189 | **PEM benchmark postings** |
| 213 | |
| 214 | **First annual workshop** |
| 215 | Define possible agenda |
| 216 | Define number of participants |
| 217 | Decide on venue |
| 218 | Establish methodologies for conference |
| 219 | Query USAID staff on interest in participation |
| 220 | Develop full workshop implementation plan |
| 221 | Contract for venue |
| 222 | Contact invited guests |
| 223 | Arrange for any consultant participations |
| 224 | Arrange all other logistics |
| 225 | Work with consultants, guest speakers, USAID |
| 226 | Prepare workshop materials |
| 227 | Hold workshops |
| 228 | Prepare and distribute post workshop materials |
| 229 | Report on workshop |
| 230 | |
| 231 | **Second workshop, only on fiscal reform** |
| 232 | Define possible agenda |
| 233 | Define number of participants |
| 234 | Decide on venue |
| 235 | Establish methodologies for conference |
| 236 | Query USAID staff on interest in participation |
| 237 | Develop full workshop implementation plan |
| 238 | Contract for venue |
| 239 | Contact invited guests |
| 240 | Arrange for any consultant participations |
| 241 | Arrange all other logistics |
| 242 | Work with consultants, guest speakers, USAID |
| 243 | Prepare workshop materials |
| 244 | Hold workshops |
| 245 | Prepare and distribute post workshop materials |
| 246 | Report on workshop |



| ID | Task Name |
|---|---|
| 248 | **First Annual Training in Fiscal/Trade Reform** |
| 249 | Module menu |
| 250 | Discussions in EGAT and others |
| 251 | Develop single, coherent one-week course |
| 252 | Assess demand |
| 253 | Participant selection |
| 254 | Logistics |
| 255 | Hold one-week training in Atlanta |
| 256 | |
| 257 | **Second Annual Training in Fiscal/Trade Reform** |
| 258 | Module menu |
| 259 | Discussions in EGAT and others |
| 260 | Develop single, coherent one-week course |
| 261 | Assess demand |
| 262 | Participant selection |
| 263 | Logistics |
| 264 | Hold one-week training in Atlanta |
| 265 | |
| 266 | **Mission Field Requests** |
| 267 | Implement India field request |
| 268 | Implement Guatemala field request |
| 269 | Implement Vietnam field request |
| 270 | Implement Sudan field request |
| 271 | Implement Angola field request |